A 36.40.100

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington

C-100 January 31, 1934

WORLD COTTON PROSPECTS

Summary

The total domestic consumption of cotton for the first 5 months of the current season amounted to 2,416,000 bales, which was the largest for the same period since 1929-30. December consumption, however, was very low, about 27 percent less than in November and 21 percent less than consumption in December 1932. A considerable part of the decline from November to December was of a seasonal character in line with the usual holiday reduction in activity. The remainder of the decrease may be attributed to the fact that under the terms of the N.R.A. Cotton Textile Code agreement the maximum number of hours of activity per week was for the month of December reduced from 80 to 60. With the marked increase in sales of cotton textiles in January and the fact that in most sections of the industry the 60 hour maximum was discontinued after December, it is expected that mill consumption for January will be much higher than for December.

The continental European cotton textile situation as a whole during December has been reported as having shown little change from that of the previous month. In the larger centers of the cotton industry the outlook at the end of the year was considered fairly satisfactory although a decline in mill activity from the high levels attained during the second half of 1933 would not be surprising. In the Orient, particularly in Japan, mill activity during December was at very high levels. In Japan unusually large proportions of American cotton are being used but with the settlement of the controversy with India and the discontinuance of the boycott on Indian cotton somewhat smaller proportions of American cotton may be used. It is doubtful, however,

if Japan will, over a period of a year or 2, consume any smaller proportions of American cotton because of the terms 1/ of the Indo-Japanese agreement than would normally be expected under the present relation of Indian and American cotton prices.

Prices

Domestic cotton prices remained rather steady during the first half of December. Toward the end of December, however, prices began an upward movement which resulted in an average price of middling 7/8 inch cotton in the 10 designated markets of 10.80 cents per pound by January 11. This was an advance of about 1 cent per pound over the prices existing about mid-December. On January 15 cotton prices made a sharp advance in response to the announcement of the government's monetary proposals , with quotations in the 10 markets on that day averaging 11.32 cents. During the following 3 days prices declined about one-fourth cent, then strengthened somewhat but by January 26 had eased off to 10.95 cents. Except for a few days about mid-July 1933 the prices about mid-January were the highest since August 1930. The reaction of the cotton goods markets to the advance in cotton prices in January was from all indications very encouraging to manufacturers, their sales having increased to the highest levels recorded for many weeks. The marked increase in sales of cotton goods probably contributed to the strength in raw cotton prices in that these large sales seem likely to result in a higher level of mill consumption during the immediate weeks ahead than seemed likely on the basis of the orders on hand and the rate of sales during December. During the week ended January 20 spot prices in the 10 markets averaged 11.18 cents per pound compared with 10.36 cents during the first week of January, 9.87 cents for the month of December, and 6.01 cents for the month of January 1933. The estimated farm price on January 24 was 10.6 cents per pound compared with the December 15 farm price of 9.6 cents and an average price received by producers in January 1933 of 5.6 cents.

Stocks and Movement

Exports of American cotton

During December total exports of American cotton amounted to 820,000 running bales, according to data released by the Bureau of the Census, compared with 915,000 bales during November, 1,040,000 bales during December, 1932, and 1,183,000 bales during December 1931. Practically all of the important foreign consumers of American cotton took smaller amounts during December this season than a year earlier. A number of the smaller consumers such as Poland, Canada, Netherlands, and Sweden took larger amounts in December this season than in the same month last season.

So far this season, that is, from August to December, total exports amounted to 4,180,000 bales compared with 4,246,000 bales during the like period last season, 4,037,000 bales to the end of December during the 1931-32 season, and 3,947,000 bales in 1930-31. During the first 5 months of the season Japan took 1,019,000 bales compared with 948,000 bales to

1/ For terms of the agreement see pages 9 and 10.

of December last season, 993,000 bales to the end
the end/of December in 1931-32 and represented the largest amount ever reported from this country to Japan during the like period in the history of our export trade. The high rate of consumption which has been maintained in Japan together with the boycott which was maintained against Indian cotton for several months are responsible for the record exports to Japan so far this season. With the much more favorable price parity between American and Indian cotton which has existed during the past several months it is not likely that Japan would have taken such large amounts of American except for the boycott on Indian, even considering the record level of consumption. Exports to China from August to December this season were also larger than a year earlier, but were much smaller than during the like period of 1931-32. Total exports to Europe for the 5 months ended December, 1933 amounted to 2,873,000 bales compared with 3,046,000 bales during the 5 months ended December 1932.

Exports of Indian cotton

During the 5 weeks ended January 11, 1934 total exports of cotton from India amounted to 147,000 running bales of approximately 400 pounds, according to data from the Commercial and Financial Chronicle. This was 24,000 bales less than during the corresponding period last season and only 3,000 bales above the like period in 1931-32. During this 5 weeks period Great Britain took 30,000 bales of Indian cotton compared with 14,000 and 10,000 bales respectively in the similar periods of last season and the season before. The Continent also took larger amounts of Indian than in either of the two previous season. Japan and China (the two countries are reported together) took only 31,000 bales during the 5 weeks ended January 11 this year compared with 87,000 and 94,000 bales 1 and 2 years earlier. With the larger supplies of Indian and the favorable price of Indian relative to American, exports to Japan and China would no doubt have been above recent previous years except for the Japanese boycott on Indian cotton which has recently been discontinued. It is expected, therefore, that exports of Indian to Japan will increase considerably during the coming weeks.

Total exports from India from August 1 to January 11 was reported at 544,000 running bales compared with 598,000 bales during the corresponding period last season and 751,000 bales for the like period in 1931-32. Both Great Britain and the Continent took larger amounts of Indian up to January 11 this year than in either of the two previous seasons. Exports to Japan and China on the other hand were only 109,000 bales so far this season which is 61 percent less than during the similar period last season and 78 percent less than to the same date in 1931-32.

Exports of Egyptian cotton

During the 5 weeks ended January 10, 1934 total exports from Egypt amounted to 146,000 running bales of approximately 750 pounds, whereas, during the like period last season, 114,000 bales were exported and in the corresponding 5 weeks of 1931-32, 121,000 bales. From August 1 to January 10 this season Egyptian exports to all countries totaled 580,000 bales compared with 371,000 last season and 488,000 bales season before last. Exports to Great Britain have shown the greatest increase over the past two seasons, although all of the countries or groups of countries shown by the Chronicle have taken larger quantities this season than in either of the two previous seasons.

The increase in this seasons' exports of Egyptian reflects the large increase in the 1933-34 crop and the more favorable prices of Egyptian relative to American and also the higher level of mill consumption in many countries.

Textile Situation

United States

Total domestic cotton consumption during December amounted to only 348,000 running bales, according to the Bureau of the Census. This represented a decrease of about 127,000 bales or 27 percent as compared with November and 92,000 bales or 21 percent compared with December 1932. This was the lowest consumption for the month of December with the exception of 1920 since data became available back in 1912. The sharp decline and the unusually small consumption during December resulted from the agreement to restrict by 25 percent the maximum number of hours which cotton mill machinery was permitted to operate under the N.R.A. Cotton Textile code during the month of December. Apparently the agreement to restrict activity came about because of the decline in sales and in turn unfilled orders, but possibly the weakening of cloth prices relative to cotton prices and the resulting narrowing of the manufacturing margin during the past few months may have been a factor. Some sections of the industry have agreed to continue to operate under the restriction agreement during January. Other sections, however, will be permitted to operate the full 80 hours per week allowed under the code rather than only 60 hours as in December. It is expected, therefore, that cotton consumption will increase considerably during January, especially in view of the increase in cotton textile sales which accompanied the marked advance in cotton prices during the first half of January.

For the first 5 months of the season total consumption by domestic mills amounted to 2,416,000 running bales which is an increase of 74,000 bales over the like period last season, 225,000 bales over the corresponding period in 1931-32 and 406,000 bales larger than in the period from August to December in 1930-31.

Great Britain

Mill activity in Great Britain during most of December was maintained at about the same rate which existed during November, according to trade reports, but during the period around Christmas and New Year, activity was greatly reduced as is usually the case. After the holiday period, however, activity was apparently again increased to about the November and early December levels. British manufacturers are said to have sold somewhat smaller quantities of cotton textiles than they produced during most of December and early January. The foreign market for Lancashire textiles has no doubt been upset during recent months by the uncertainties as to the outcome of the Delhi conference concerning the Indo-Japanese tariff-boycott controversy. Many merchants in India who handle both Japanese and British piece goods probably withheld some of their purchases until they knew how much the tariff on Japanese piece goods would be reduced and the other terms of the agreement. Now that the terms of the agreement reached at the conference are known and the uncertainties removed, sales to India may improve somewhat, although the reduction in the Indian tariff on non-British piece goods means that British goods will meet greater competition from Japanese goods

than has been true since June, when the tariff on non-British goods was raised.

Exports of piece goods from Great Britain during December amounted to about 156,000,000 square yards, compared with 170,000,000 during November, 196,000,000 in December 1932, 150,000,000 in December 1931, and 130,000,000 in December,1930. The total exports of piece goods from Great Britain from August to December amounted to 794,000,000 square yards compared with 852,000,000 square yards during the first 5 months of last season, 691,000,000 during the like period in 1931-32 and 722,000,000 in 1930-31.

Continental Europe 1/

The continental European cotton textile situation during December showed little change from that of the previous month. In the larger centers of the cotton industry the outlook at the end of the year is considered fairly satisfactory although a decline in mill activity from the high levels attained during the second half of 1933 would not be surprising. New sales of cotton yarn and cotton goods during December were generally satisfactory but in Germany a heavy accumulation of stocks has occurred.

Our previously expressed expectation of a decline in mill activity during the latter part of 1933 is now, at least partially subtantiated by recently published statistics. This decline is particularly evident in Germany where, during the months of June through August, a large increase in production took place. Actual data are not yet available, but, judged from trade reports, mill occupation in December 1933, was somewhat lower than in the immediately preceding months.

Germany

Conditions in the German cotton textile industry during December 1933 were still satisfactory though less favorable than during previous months. A pick-up in sales by spinners, weavers and knitters followed the setting-in of severe winter weather and introduced a more optimistic note. Mill occupation was probably not greatly different from that during November, but the heavy accumulation of stocks is viewed with some concern.

The German situation is described in a recent report of the Institute for Economic Research. There was a large increase in textile production during the summer and early fall of 1933, but retail sales lagged far behind production, so that stocks of semi-manufactured and finished textile goods increased sharply and attained a very considerable volume. The Institute is of the opinion that this increased level of stocks is not in immediate danger because prices are expected to rise rather than to decline. Nevertheless, the fact that production has so greatly exceeded consumption in 1933 will probably be a check on developments in the early part of 1934. It is not improbable that the recently noted recession of mill activity will continue for some time to come. The situation bears some resemblance to developments in the United States following our departure from the gold standard.

1/ Based largely on a report prepared by Assistant Agricultural Attache, Donald F. Christy at Berlin, Germany, dated January 8.

In the United States, however, speculation was stimulated by the anticipation of rising raw cotton prices. For continental buyers much of the price rise has been offset by the depreciation of the dollar.

A detailed report of German cotton spinners for the month of November indicates that sales of cotton yarn were about the same as in October. New business as well as calling on old contracts was generally quiet. Fine spinning mills reported increased employment as a result of improved market possibilities following the tariff increase on fine count yarn in August. A slightly improved situation was indicated for the two cylinder spinning mills which had complained of unsatisfactory conditions in October. Yarn sales increased toward the end of November as a result of the beginning of severe winter weather. The detailed weaver report for the month of November indicated reduced sales, but mill occupation was maintained as a result of unfilled orders.

German cotton spinner buying of raw cotton at Bremen was quiet both at the beginning and at the end of December. More active buying occurred around the middle of the month when price fixing also increased. C.i.f. import purchases on the part of Bremen merchants also picked up around the middle of December, although American offers were mostly above the Bremen merchant parity.

The previously reported plans for the formation of a German cotton yarn price cartel have not yet been completed and the period during which spinners may vote on the plans has again been extended. The proposed agreement is to include only three and four cylinder spinning mills, excepting those producing yarn for export. Spinner-weavers are to be affected only insofar as they produce yarn beyond their own requirements. Weavers are expected to present serious objections to this latter feature as it might give the spinner-weavers undue advantage.

Czechoslovakia

Activity in the Czechoslovakian cotton textile industry continued to decline during the month of December. New orders for both spinners and weavers failed to equal pre-Christmas expectations. Orders for winter goods were already being filled, with only few additional deliveries needed, whereas orders for summer goods are still very scarce. The low purchasing power of the individual consumer has centered the demand for winter goods on the cheapest grade of cloth.

As a result of the unsatisfactory developments in new business the spinner cartel set the production quota for December below that of the previous month. It is reported that the current quota is 50 percent of the basic contingents allotted the individual spinning mills. Most outsiders are now included in the cartel, so that the organization is very powerful. On the other hand, the efforts of the spinners to make weavers also join into a cartel so far have been without success.

Austria

Somewhat improved Christmas business was reported for the early part of December from Austrian quarters. Cotton mill activity in December was

no doubt below the high fall level, but is believed to be considerably above the low activity at the end of 1932. Latest statistics published by the Institute for Economic Research relate to the month of October and show a further moderate increase in spinning mill activity and a continued pronounced upswing in weaving mill occupation. Spinning mill activity, represented by an index of cotton yarn production adjusted for seasonal variation, was 124 in October as compared with 122 in September. Weaving mill activity, as represented by an index of weavers' raw material requirements was 135 in October as compared with 120 in September. Cotton yarn stocks with spinning mills in October were 81 as compared with 83 in September. On the other hand, unfilled yarn orders with cotton spinners declined to 115 in October from a level of 120 in September (1923 to 1931=100).

France

Quietness was again the feature of cotton yarn and cotton cloth business in France during the month of December. A fair volume of business, however, was done by Rouen spinners, and Normandy as well as Alsacian weavers. Roubaix was not at all satisfied with current developments, but admitted that the holidays accounted for most of the quietness. Unfilled orders in spinning and weaving establishments are still sufficient to last the industry for several months ahead.

No new data are available as to actual mill activity in France, but it may be assumed that November and December occupation in spinning and weaving mills was not much different from the October level, the latest month for which data are available. October spinning mill production was slightly larger than in September, or 4.29 pounds per spindle against 4.19 pounds in September. This is greatly above 1 and 2 years ago when the October figures were only 3.51 and 3.29 respectively. Yarn stocks continued to decline and were 5.17 pounds per spindle in October 1933 as compared with 5.61 in September and 5.64 in October 1932. Unfilled yarn orders on the other hand, showed an unfavorable development in that they have declined steadily since August. They amounted to 13.03 pounds per spindle in October 1933 as compared with 14.14 in September, but only 11.44 in October 1932.

French weaving mill statistics for October indicate a conservative continuation of the increase in mill activity. Weaving mill production in October 1933 averaged 610.23 yards per loom, as compared with 608.04 in September, and only 506.34 in October 1932. Stocks of fabrics in October amounted to 694.44 yards per loom as against 672.56 in September and 800.52 in October 1932. Unfilled orders on hand in October amounted to 2,107.37 yards per loom which is a slight decline from the figure of 2,178.45 for September 1933. In October 1932, however, there were only 1,654.62 yards per loom.

From these figures, it is evident that at the end of October 1933 unfilled orders assured the occupation of the spinning mills, at the rate they were then working, for about 3 months and of weaving mills for about 3-1/2 months, a situation which may be considered satisfactory.

Netherlands

Despite contingenting of imports and other government measures to protect the domestic industry from foreign competition, the situation of the Dutch cotton industry remains precarious. The problem is not so much how

to meet foreign competition on the domestic market, but rather how to meet it in the East Indies. Japanese competition in the Dutch East Indies has been frequently complained of. Particularly interesting in this respect was the statement made by a Belgian delegate at this year's International Cotton Congress at Prague pointing out that prices at which Japanese cotton cloth was offered in various parts of the world including Europe, Africa, India and Australia, ranged from 20 to as much as 50 percent below offers from other countries. A conference between Dutch and Japanese delegates was called at The Hague in December 1933 to discuss the problems arising as a result of Japanese competition in the Dutch colonial possessions.

Poland

Recent press reports indicate that centralized import buying of American cotton is planned. This centralization, which will not include the purchases by all spinning mills, is reported to be planned in order to facilitate the acquisition of credit from the United States. Papers intimate that the deal is to be made with United States Government agencies.

Russia

Monthly data on cotton textile production are not available but an official statement dated December 17 indicated that production of cotton fabrics during 1933 would total about 2,828,000,000 yards. Based on the scattered monthly figures available, this estimate would appear somewhat too high, although it is greatly below the original 1933 plan which provided for an output of 4,068,000,000 yards. The discrepancy between these two figures accurately reflects the unsatisfactory situation in the cotton textile industry. The above mentioned official statement characterized the work at the cotton textile centers as "unsatisfactory, particularly with respect to quality and type of production." The statement or stipulation of December 17 was signed by the Chairman of the Council of Peoples' Commissars and in addition to criticizing the past performance of the cotton textile industry outlines the aims of the industry for 1934. The statement is quite lengthy including eighteen main points. Brief mention of the more important aims are given below.

An improvement in the quality of the goods produced is especially stressed, and those responsible for the production of unsatisfactory goods will be subject to imprisonment for not less than 5 years. It is planned to replace by better quality goods about 477,000,000 yards of low quality fabrics. These low qualities, together with some 243,000,000 yards of fabrics for which a ready market has not developed, are supposed to be replaced by "at least 723,000,000 yards of higher quality grades, comprising compact calico, satin, high quality baize, fustian, knit fabrics, serge, etc." Of this amount it is planned to allott 84,000,000 yards to deficit fabrics for which the demand is particularly large. These include flannel, towel materials, blankets, tent material, etc. The production of fine materials, such as batiste and pique, is expected to be increased by about 82,000,000 yards. Plans also provide that about 437,000,000 yards are also to be mercerized in order to improve both the appearance and the wearing quality. An expected slight increase in cloth production is based on the increased percentage of high grade cotton procured during 1933. The above of course refers to "plans" only and on the basis of past performance we cannot expect complete fulfillment.

The total production plan for cotton fabrics during 1934 is placed at only 3,139,000,000 yards. This is a slight increase over the apparent production during 1933, but far below the plan for that year. (The increase corresponds roughly to the indicated increase in the production of raw cotton.)

Japan 1/

Mill activity in Japan continues to increase despite the relatively low level of exports of cotton goods during recent months. During December yarn production in Japan according to trade reports amounted to approximately 283,000 bales compared with 281,000 bales in November, which was the previous high for all time, and compares with 242,000 bales in December 1932, 227,000 bales in December 1931, and the previous high for December of 256,000 bales in 1929. No reports are available on current stocks of cotton goods in Japan, but the indications are that they have accumulated to a considerable extent and that now with the settlement of the difficulties with India and the sharp reduction in the Indian tariff on Japanese and other non-British piece goods special efforts may be made to sell large quantities of these goods to India.

The terms of the agreement which grew out of the Delhi conference between Japanese and Indian delegates have been released. Some of the principal provisions of the agreement which is to last for 3 years are given below:

(1) The duty on Japanese and other non-British goods was lowered from 75 percent ad valorem or $6\frac{3}{4}$ annas per pound (equivalent at the rate of exchange on January 25 to 15.75 cents) whichever was higher, to 50 percent ad valorem or $5\frac{1}{4}$ annas per pound (12.25 cents) for plain grays and straight 50 percent ad valorem for all others. These duties became effective January 8. The most favored nation clause is preserved and safeguards against exchange variations are provided.

(2) For the annual exportation of 1,000,000 running (400 pounds) bales of Indian cotton to Japan, India is to permit the importation of 325,000,000 yards of Japanese piece goods, the year pertaining to piece goods to begin April 1 and the year pertaining to cotton to begin January 1.

(3) In case exports of Indian cotton falls below 1,000,000 bales for the year the basic Japanese piece goods quota of 325,000,000 yards is reduced by 2,000,000 yards for each 10,000 bales.

(4) In case exports exceed 1,000,000 bales the piece goods quota is to be increased 1,500,000 yards for each additional 10,000 bales, and the maximum quota in no instance to exceed 400,000,000 yards. (This quantity of piece goods would, under the above terms, be linked with the exportation of 1,500,000 bales of cotton).

1/ Based partly upon information received from Vice Consul McConoughy, at Kobe and partly upon a cablegram from Consul General Frost at Calcutta, India.

UNIVERSITY OF FLORIDA
3 1262 08863 0313

(5) If exports of Indian cotton to Japan exceed 1,500,000 bales in any given year the quantity above that figure shall be added to the quantity of cotton exported in the following cotton year in determining the piece goods quota.

(6) The piece goods quotas are classified into the following categories: Plain grays, 45 percent; bordered grays, 13 percent; bleached, 8 percent; and colored and others, 34 percent, with certain adjustments permissible within categories.

(7) The periods for applying the terms of agreement are established as half-years with certain provisions for transfer of quota from one period to another.

The settlement of the Indo-Japanese disagreement means that the consumption of American cotton in Japan during the coming months will probably be somewhat smaller than if the boycott and very high Indian tariff had continued. However, it was not expected that the boycott would continue indefinitely. The terms of the agreement are such that it hardly seems likely that the proportions of Indian and American cotton used in Japan during the 3-year period will be any different from what they would have been had the Indian tariff not been raised to such a high level and no Japanese boycott on Indian cotton been imposed.

China 1/

With the Chinese cotton crop now tentatively estimated at about 2,500,000 bales of 478 pounds compared with the Chinese Cotton Statistics Association's estimate for 1932-33 of 2,261,000 bales and with cotton consumption in China running considerably below last season, it is expected that China's consumption of American cotton will be only about half as large as the average of the two previous seasons. It has been realized all along, however, that this would probably be the case, for during the last two seasons China consumed two and one-half times as much American cotton as during 5 years preceding, due to the short supplies of Chinese and the abnormally large supplies of foreign.

Mill activity in China has increased somewhat in recent weeks with activity in early January in the Japanese section of the industry near full capacity and in the Chinese section about 90 percent of capacity. Three months ago activity in the Japanese section was reported as 75 percent of capacity and in the Chinese section as 85 percent. The yarn and piece goods market have continued unsatisfactory, however, although they are said to be less nervous recently as political conditions have improved.

1/ Based in part upon a report received by radiogram from Agricultural Commissioner Dawson of Shanghai.

- - - - 0 - - - -

UNIV. OF FL LIB.
DOCUMENTS DEPT.
U.S. DEPOSITORY